Paid Lunch Equity and Nonprogram Food Revenue

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Paid Lunch Equity (PLE)

• Interim Rule: NSLP School Food Service Account Revenue

 Intent: To ensure that sufficient funds are provided to the food service account for paid lunches

Overview

- School food authorities (SFAs) compare the average price for paid lunches to the difference between the per meal Federal reimbursement for free and paid lunches
- For SY 2011-2012, if SFA's average price for paid lunches is \$2.46 or more, it is in compliance
- Other SFAs must determine whether they must take action

Increasing Revenue for Paid Lunch

- If an SFA's average price for lunches is less than the difference between free & paid reimbursements, it must increase the revenue by 2% plus inflation by either
 - Increasing the average price charged for paid meals OR
 - Adding non-Federal funds to the food service account

Increasing Paid Meal Prices

- In any year, any new average price increase may be—
 - Rounded down to the nearest 5 cents
 - · Limited to a maximum required increase of 10 cents
- In SY 2011-2012, most SFAs will need to increase their average paid prices by five cents or less

Increasing Paid Meal Prices

- SFAs have the flexibility to determine how they wish to distribute the average price increase among their schools to reach the new average lunch price
- SFAs may increase their average paid meal prices more than the required amount
- A "credit" for future required increases will be given to SFAs for any amount increase over the required amount

Non-Federal Funding Source

- Financial support from non-Federal sources must be cash for direct support for paid lunches, including but not limited to:
 - per-lunch reimbursements specifically for paid lunches (or the proportion attributable for paid lunches) provided by States, counties, school districts and others
 - funds provided by organizations for paid lunches
 - any portion of State revenue matching funds that exceeds the minimum requirement established in 7 CFR 210.17 and is provided for paid lunches

Non-Federal Funding Sources

- Some examples of <u>unallowable</u> non-Federal support are:
 - in-kind contributions and a la carte sales
 - any payments, including additional per-meal reimbursements, provided for support of the School Breakfast Program or other Child Nutrition Program
 - any payments, including additional per-meal reimbursements, provided specifically to support free and reduced price meals; and
 - any in-kind contributions converted to direct cash expenditures after July 1, 2011

Non-Federal Funding Sources

- Exceptions for School Year 2011-2012 only:
 - SFAs may include any non-Federal cash contribution, except for in-kind contributions and revenues from foods and beverages sold in competition with reimbursable meals
 - The limitations for non-Federal contributions do not apply

Non-Federal Funding Source

- Exceptions for School Year 2011-2012 only:
 - SFAs which raised their prices and met the non-Federal revenue requirement in SY 2011-12, may "roll over" the non-Federal revenue exception into SY 2012-13

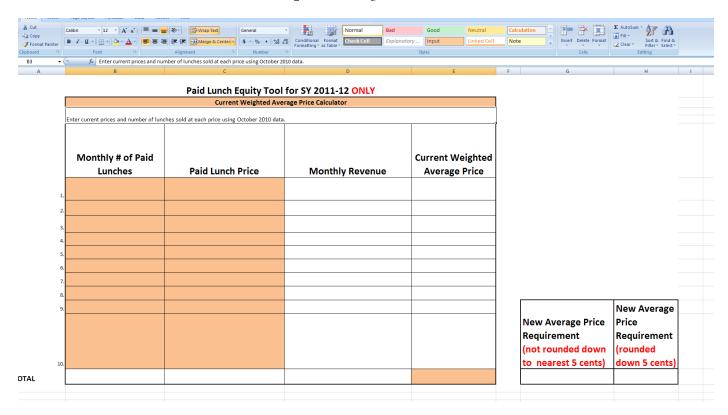
Paid Lunch Equity Average Price Calculation Example

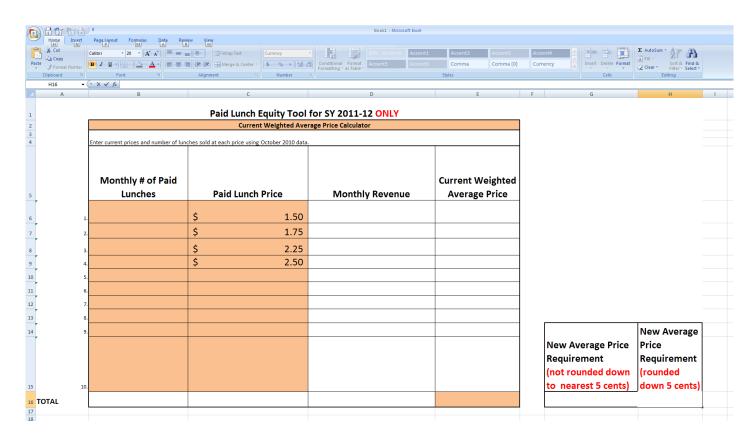
- For SY 2011-2012, SFAs that choose to increase paid lunch prices must increase their average paid lunch price by 2% plus 1.14% (or 3.14%)
- SFAs must use their paid lunch prices from the previous (2010) October to calculate their new average paid lunch price

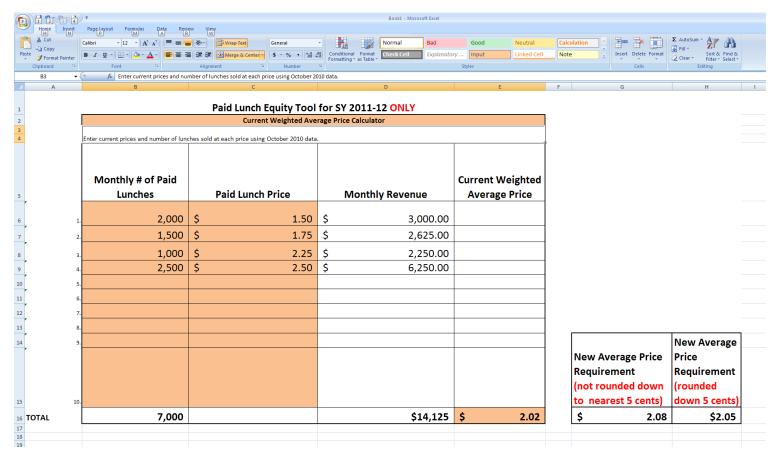
Paid Lunch Equity Average Price Calculation Example

Number of Paid Lunches claimed at each price for October	Price Charged for Paid Lunches	Revenue Generated by Paid Lunch Price (Column A x Column B)	Determine Average Price
1,000	\$1.25	\$1,250	
2,000	\$1.50	\$3,000	
1,500	\$2.00	\$3,000	
3,000	\$2.25	\$6,750	
Total Lunches: 7,500		Total Revenue: \$14,000	14,000/7,500 = \$1.87

- A PLE tool will be available on the FNS website.
 The tool will help SFAs calculate:
 - Average price across the SFA
 - New required average price across SFA
 - Distribution of price increases across SFA
 - Non-Federal source contribution amount







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• Intent: To ensure that revenues from the sale of nonprogram foods generate at least the same proportion as they contribute to SFA food costs

 A nonprogram food is a food sold in a participating school other than a reimbursable meal and is purchased using funds from the school food service account

- To implement this requirement SFAs will need to:
 - Identify the proportion of total food costs attributable to nonprogram food in order to establish its revenue target
 - Price nonprogram food items to ensure that revenues will meet the requirement
 - Track nonprogram food revenues separately from all other revenue items

- Example
- SFA has the following characteristics:
 - Total Costs: \$1,000,000
 - Total Food Costs: \$500,000
 - Nonprogram Food Costs: \$50,000
 - Reimbursable meals Food Costs: \$450,000
 - Total Revenue: \$1,000,000

- Revenue Requirement:
 - Minimum Proportion of Revenue Required from Nonprogram Food Sales: \$50,000/\$500,000 =
 10%
 - Minimum Dollar Revenue Required from Nonprogram Food Sales: 10% x 1,000,000 = \$100,000
- If this SFA earns \$100,000 in revenue from nonprogram food sales, they are in compliance

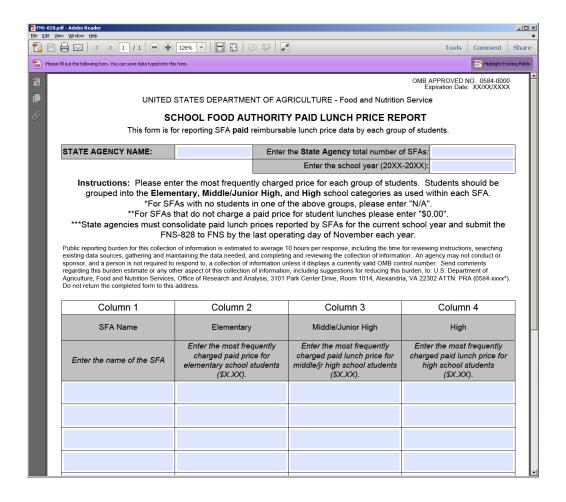
Monitoring Compliance

- For SY 2011-2012, State agencies need to work with SFAs to provide guidance and technical assistance on how to meet the requirements
- Assure that all SFAs make a good faith effort to comply
- FNS will be updating CRE and ME guidance to incorporate review of these requirements

Reporting Paid Lunch Prices

- SFAs must report the most frequently charged paid meal price for—
 - Elementary
 - Middle
 - High
- State agencies submit SFA data to FNS at end of November
- FNS is required to publish results
- Further guidance on reporting is under development

SFA Paid Lunch Price Report



SFA Paid Lunch Price Report

 An Excel version of the report will be made available in the future for State agencies to collect and transmit the data for all of their SFAs to us directly

References

• Interim Rule:

http://www.fns.usda.gov/cnd/Governance/Legislation/SFArevenue_interimrule.pdf

Paid Lunch Equity Q&A:
 http://www.fns.usda.gov/cnd/Governance/Policy-Memos/2011/SP39-2011 os.pdf

Paid Lunch Equity Tool:
 http://www.fns.usda.gov/cnd/Governance/Legislation/CNR_2010.htm

QUESTIONS?